

J.P. Morgan Asset Management Institutional Order Execution Policy Disclosure

November 2011

1 Introduction and scope

The rules of the Financial Services Authority ("FSA"), in implementing the Markets in Financial Instruments Directive ("MiFID"), require investment firms to send information on their execution policy to their clients, showing the reasonable steps they seek to take to obtain the best possible result ("best execution") for their clients. This document sets out information on the execution policy of JPMorgan Asset Management (UK) Limited and its investment management affiliates ("JPMAM") and covers all asset classes that we may manage for our clients from the United Kingdom.

This policy applies to Professional Clients of JPMAM as such term is defined by the rules of the FSA for the following range of asset classes: Equity, Fixed Income and Related Instruments and Currency (including associated derivatives).

2 Obtaining best execution

The facilities available in today's marketplace allow JPMAM to use a variety of methods to execute client transactions, including the engagement of full service brokers, transacting directly with dealers and market makers, and making use of electronic communication networks or "ECNs" and Multilateral Trading Facilities "MTFs". The selection of any particular method to execute a client trade must be consistent with JPMAM's fiduciary obligation to obtain the best execution for its accounts.

JPMAM will consider a number of factors in seeking to obtain best execution. These may include price, costs, speed, likelihood of execution and settlement, size, and the nature of the trade and other considerations.

The relative importance of these factors will be determined by considering matters including the characteristics of the portfolio manager's order, the characteristics of the financial instruments that are subject to that order and the characteristics of the counterparties and execution venues to which that order can be directed.

Ordinarily, price and costs together will merit high relative importance in obtaining best execution, but this will be tempered, for example, where the size of the trade is large compared to the liquidity of the instrument in question, or where speed of execution becomes important for investment due to nature and size of order or client cash flow requirements and therefore the execution venue may play a more important role.

3 Dealing venues/counterparties

We assess dealing venues and counterparties to determine whether they are able to provide us with best execution on a consistent basis. Our internal Risk Management Department assesses counterparties before they are approved for use and periodically reviews the credit ratings of all the counterparties we use. Our dealers, portfolio managers and research analysts continually consider the quality of service provided by counterparties, with a formal review conducted at least annually.

JPMAM believes that execution quality can be improved for certain asset classes when our in-house dealers situated locally place trades for execution, making use of local knowledge and working in local time zones. Therefore, we may have relevant transactions executed through our dealing desks in the United Kingdom, the United States or Asia.

We execute transactions for our clients in various ways:

We may place orders with counterparties in the EEA, (European Economic Area) who will themselves be subject to MiFID best execution requirements in these circumstances. They, in turn, may execute the transaction on a regulated market, on an electronic trading facility (referred to as a Multilateral Trading Facility under MiFID) or internally, either by crossing with orders from their other clients or by using their own capital (and acting as principal).

We may alternatively request a quote to trade over the counter with a counterparty on behalf of a portfolio. We will execute the transaction with the counterparty where we believe the terms enable us to achieve best execution. This method of dealing is customary and predominant in the fixed income and currency markets and we may use it for other instruments such as equities and derivatives when we believe that it will achieve best execution for clients.

JPMorgan Asset Management refers to the following UK based legal entities: JPMorgan Asset Management (UK) Limited, JPMorgan Investment Management Inc. London Branch, JPMorgan Chase Bank N.A. London Branch (Asset Management Division).

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We will place orders with counterparties outside the EEA or execute transactions with counterparties outside the EEA where the orders relate to instruments that are not traded in the EEA or where best execution will be achieved outside the EEA, for example because the price and costs may be cheaper.

We consider some or all of the following criteria in choosing the most appropriate venue or counterparty to seek to obtain best execution, depending on the order:

- the size of the trade relative to other trades in the same financial instrument
- the need to minimise the possible market impact
- ability of our counterparty to commit their capital to our trades
- access to liquidity/natural order flow
- whether or not the security is traded on exchange or over the counter
- the client mandate and client restrictions
- overall ranking of the counterparty from our internal reviews
- clearance and settlement capabilities
- commission rates and other costs
- characteristics of the venue(s) to which the order can be directed
- any other relevant factor

We generally conclude transactions in listed mutual funds (but not investment trusts) with the fund provider at the official price since we do not consider that sufficient liquidity is available elsewhere to enable us to obtain the best possible result on a consistent basis.

3 Classes of financial instruments and their execution venues

Best execution applies to all types of financial instruments and each client order and JPMAM may adopt different strategies depending on the type of instrument and market being traded.

Equities

JPMAM employs a pre-trade analytics system to assist in evaluating the most efficient and cost-effective type of execution for a majority of trade orders. JPMAM assesses the average daily trading volume and price movements for the relevant securities when deciding upon the best form of execution from amongst, for example, single, program or agency trades.

JPMAM equity trades are placed with approved counterparties that are included in the global counterparty list. JPMAM may utilise multilateral trading or algorithms facilities provided by brokers where appropriate depending on the nature of the trade.

JPMAM traders will select an execution venue based upon the factors mentioned elsewhere in this policy; in addition, the trading desk will receive an urgency rating or “Alpha Target” from the portfolio managers that determine how swiftly the trade should be executed. JPMAM uses independent pre-trade analysis to aid price discovery, project the cost of the trade and to assist traders in identifying and establishing a strategy prior to placing a trade in the market.

For certain transactions it may not always be possible or appropriate to request comparable price information from brokers. Approaching multiple venues or counterparties for a competing quote is likely to have a negative effect on a transaction because of possible information leakage. Therefore JPMAM’s traders will make use of available market data on counterparties’ ability to trade the instrument in question at the most advantageous price.

Fixed Income & Related securities

Achieving best execution for fixed income and related securities will depend on the transaction strategy type being entered into.

Ordinarily, for fixed income transactions, liquidity and price are the main determining factors given the nature of the securities, as well as speed of market and size of transaction. Since commissions are not charged on all fixed income securities (except futures and Exchange Traded Options), such costs do not always need to be considered in obtaining best execution. Quotations are recorded from competing venues and trades will be concluded through the venues that provide the best price. However there may be circumstances where retrieving quotes from execution venues may alert the market to JPMAM’s trading strategy which could be detrimental to its clients. In such circumstances, JPMAM will take into consideration market levels by utilising various tools (e.g. Trade Web or Bloomberg) and will execute the transaction with a venue based upon information from such alternative sources as well as the counterparty’s ability to provide settlement and competitive spreads as well as liquidity.

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Tactical or strategy trades may include a combination of a fixed income security element and an OTC derivative overlay that relates to an underlying fixed income product or instrument. These trades are generally combined in one order as receiving competing quotes from venues for the fixed income security may affect the factors on the derivative overlay piece. Execution venues are selected based upon additional factors such as ability to conclude the overall transaction, the credit quality of a counterparty, the current exposure to the counterparty, overall research capability and relevant ISDA documentation in place.

Listed futures and options transactions may also be utilised and client accounts may be aggregated together and traded as a block. For such transactions, the size of the order may dictate the market price and therefore JPMAM may use quoted exchange prices as a guide but may utilise on or off exchange venues or MTF's.

Currency

When executing any currency transactions, the JPMAM trading desk will select an execution venue based upon the factors mentioned elsewhere in this policy, however after consideration of these factors, JPMAM views price as a primary determining factor in establishing execution quality for its clients. In addition, the likelihood of settlement is another important factor which affects the choice of an execution venue. The currency desk uses the credit quality defined allowable counterparty exposures provided by Risk Management within their trading systems to determine placement of trades. Further, where the clients' custodian can employ the services of CLS (Continuous Linked Settlement), a settlement service which provides a payment vs payment settlement process which protects against loss of principal associated with FX trades, it is utilised as this significantly reduces the risk of settlement failures in the currencies covered by CLS for those clients or funds setup to utilise this service. JPMAM's trading system automatically records indicative quotes for spot and forward fx market rates provided by Reuters. This information is used to assist in determining best execution. The trading desk receives an alert if the achieved execution price is not within a set tolerance level of the indicative price and Compliance reviews a sample of executions which fall outside of a tolerance range to ensure best execution has been achieved. JPMAM traders may seek additional information from market sources (e.g. Bloomberg) or quotes from counterparties for certain complex strategies.

For certain transactions, where obtaining competing quotes would be likely to alert the market to JPMAM's trading intentions and therefore cause prices to move adversely, JPMAM traders will rely on other market data and knowledge of counterparties' likely ability to trade at the most advantageous price. For example, the traders have access to multibank platforms that provide access to similarly placed transactions in the market in order to assess current market levels.

4 Client specific instructions

Where JPMAM receives specific client instructions, it will conclude transactions in accordance with those instructions. Such client instructions may include (but are not limited to); Directed Brokerage, Programs, and/or restrictions on trading with certain counterparties including affiliates.

JPMAM will consider all other relevant factors not covered by the specific client instructions in achieving the best possible result for the client. JPMAM is not permitted to induce a client to instruct execution in a particular way. However, client specific instructions may prevent JPMAM taking steps to implement the measures that it has designed to obtain the best overall result for its client.

Reasonableness of Commission Payments

For those markets and instruments where commissions are paid, JPMAM must arrange commissions in such a way as not to discriminate unfairly between execution venues.

There is a standard rate of commission for all brokers within each market with special terms negotiated for certain orders such as program/portfolio transactions and transactions in illiquid stocks.

JPMAM periodically evaluates general industry practices with respect to commission levels and rates charged by brokerage firms. Additionally, JPMAM periodically gathers intelligence on the brokerage community in order to maintain a posture on negotiated commissions, which allows JPMAM to take advantage of the competitive environment in negotiating commission rates that are considered fair and reasonable for its clients.

5 Assessment

We look to minimise the impact of our trades on the market and keep trading costs low by aggregating trades for our clients. We monitor trade prices against industry benchmarks where available, with the assistance of exception reports to determine if best execution has been achieved. In the case of equities, we may use a number of post trade analytical tools to monitor the costs of individual transactions where possible.

6 Review of policy

We will review our execution arrangements and policy at least annually, and additionally where there is a material change to our execution arrangements. We review annually the EEA and non-EEA brokers with whom we place orders for execution and may notify our clients of material changes.